CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

Point of Contact:	Ken Scarbro	RSSD: (For Bank Holding Companies)	3082454
UST Sequence Number:	350	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 23, 2008	City:	Oak Ridge
Date Repaid[1]:	N/A	State:	Tennessee

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

A newly hired loan officer generated $7,300,000 in loans in 2011. The loans were instrumental in supporting our community and beneficial to the Bank.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

[X] **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The loans generated by the above-referenced lender were commercial and industrial loans to small businesses.

[ ] **Increase securities purchased (ABS, MBS, etc.).**

[ ] **Make other investments.**

CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

[X] **Increase reserves for non-performing assets.**

Additional provision for losses on OREO were $567,600.

[ ] **Reduce borrowings.**

[ ] **Increase charge-offs.**

CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP infusion allowed the Bank to maintain capital at a satisfactory level throughout the recent past.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Continue to aggressively dispose of impaired assets and plan for future growth prospects.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Tennessee Valley Financial Holdings, Inc.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

Continue to absorb losses from impaired assets, including losses on sales of other real estate and provisions for losses.Sales of OREO totaled $2,330,000 with $113,400 in losses over prior provisions. Hire a new loan officer with experience in the community who generated new loan volume sufficient to maintain the level of interest-bearing loans very close to that for the prior year. The latter was a contributing factor to 4 quarters of positive earnings, which increased the Bank's Tier 1 capital year over year.